

**CITY OF FAIRFAX**

**INDEPENDENT AUDITOR'S REPORT**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**June 30, 2014**

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# CITY OF FAIRFAX

## OFFICIALS

<u>Name</u>	<u>Title</u> (Before January, 2014)	<u>Term Expires</u>
Jason Rabe	Mayor	Jan. 2014
Marianne Wainwright	Mayor Pro tem	Jan. 2014
JoAnn Beer	Council Member	Jan. 2014
Bernie Frieden	Council Member	Jan. 2014
Travis Otto	Council Member	Jan. 2016
Marc Magers	Council Member	Jan. 2016
Cynthia Stimson	City Clerk/Treasurer	Indefinite
Kathy Everett	Deputy Clerk	Indefinite
Randy Scholer	Attorney	Indefinite
(After December, 2013)		
Jason Rabe	Mayor	Jan. 2016
Marianne Wainwright	Mayor Pro tem	Jan. 2018
Travis Otto	Council Member	Jan. 2016
Marc Magers	Council Member	Jan. 2016
JoAnn Beer	Council Member	Jan. 2018
Bernie Frieden	Council Member	Jan. 2018
Cynthia Stimson	City Clerk/Treasurer	Indefinite
Kathy Everett	Deputy Clerk	Indefinite
Randy Scholer	Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Fairfax, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfax as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax's basic financial statements. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on the June 30, 2013, 2012 and 2011 financial statements and a qualified opinion on the June 30, 2010 financial statements which were all prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

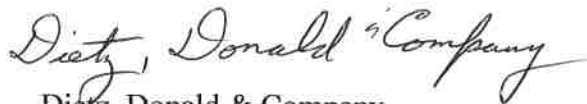
The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 14 and 31 through 32, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2015 on our consideration of the City of Fairfax's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Fairfax's internal control over financial reporting and compliance.

Elkader, Iowa

January 4, 2015

  
Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fairfax provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 189.6%, or approximately \$ 3.898 million from fiscal 2013 to fiscal 2014. Property tax increased approximately \$ 50,000 and bond proceeds increased approximately \$ 3.836 million.
- Disbursements of the City's governmental activities increased 23.3% or approximately \$ 952,000 in fiscal 2014 from fiscal 2013. Public works and debt service disbursements increased approximately \$ 1.508 million and \$ 129,000, respectively, while culture and recreational disbursements decreased approximately \$ 835,000.
- The City's total cash basis net position increased 72.1%, or approximately \$ 1.124 million from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$ 1.118 million and the cash basis net position of the business type activities increased approximately \$ 6,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental and proprietary funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

1. Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax, bond proceeds, and state grants finance most of these activities.

2. Business Type Activities include the waterworks, the sanitary sewer system, solid waste disposal and farming operations. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include [a] the General Fund, [b] the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and Local Option Sales Tax, and [c] the Debt Service Fund.. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to account for business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Garbage and Farm Operation Funds. The Water and Sewer Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing approximately \$ 1.118 million to approximately \$ 2.277 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities  
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service	\$ 198	166
Operating grants and contributions	252	339
Capital grants and contributions	87	0
General receipts:		
Property tax	1,295	1,245
Local option sales tax	254	240
Unrestricted interest on investments	11	10
Bond proceeds	3,836	0
Other general receipts	<u>22</u>	<u>56</u>
Total receipts	<u>5,955</u>	<u>2,056</u>
Disbursements:		
Public safety	479	400
Public works	1,926	418
Culture and recreation	767	1,602
Community and economic development	5	5
General government	271	199
Debt Service	<u>1,597</u>	<u>1,469</u>
Total disbursements	<u>5,045</u>	<u>4,093</u>
Change in cash basis net position before transfers	910	(2,037)
Transfers, net	<u>208</u>	<u>306</u>
Change in cash basis net position	1,118	(1,731)
Cash basis net position beginning of year	<u>1,159</u>	<u>2,890</u>
Cash basis net position end of year	<u>\$ 2,277</u>	<u>1,159</u>

The City's total receipts for governmental activities increased 189.6%, or approximately \$ 3.899 million. The total cost of programs and services increased approximately \$ 952,000 or 23.3%. The significant increase in receipts was primarily the result of approximately \$ 3.836 million of bonds issued in 2014. The significant increase in disbursements was primarily the result of disbursements for the East Cemetery Road water and sewer improvements.

City property tax receipts increased approximately \$ 50,000 in 2014. Property taxes are budgeted to increase approximately \$ 143,000 in 2015, due primarily to an 8.5% increase in property valuations.

The cost of all governmental activities this year was approximately \$ 5.045 million compared to \$ 4.093 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16- 17, the amount taxpayers ultimately financed for these activities was only \$ 4.509 million because some of the cost was paid by those directly benefited from the programs (\$ 198,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 339,000). Overall in 2014, the City's governmental activities program receipts, including intergovernmental aid and fees for services, increased from approximately \$ 505,000 to approximately \$ 536,000, principally due to an increase in charges for service. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 1.549 million in tax (some of which could only be used for certain programs) and with other receipts, such as bond proceeds.

Changes in Cash Basis Net Position of Business Type Activities  
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 229	229
Sewer	384	370
Garbage	118	114
Farm	13	13
General receipts		
Miscellaneous	5	9
Total receipts	<u>749</u>	<u>735</u>
Disbursements:		
Water	174	205
Sewer	234	185
Garbage	114	109
Farm	13	12
Total disbursements	<u>535</u>	<u>511</u>

Change in cash basis net position before transfers	\$ 214	224
Transfers, net	<u>(208)</u>	<u>(306)</u>
Change in cash basis net position	6	(82)
Cash basis net position beginning of year	<u>401</u>	<u>483</u>
Cash basis net position end of year	<u>\$ 407</u>	<u>401</u>

Total business type activities receipts for the fiscal year were approximately \$ 749,000 compared to \$ 735,000 last year. The increase was due primarily to an increase in usage. Total disbursements increased from approximately \$ 511,000 to approximately \$ 535,000, a 4.7% increase.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Fairfax completed the year, its governmental funds reported a combined fund balance of \$ 2,276,692, an increase of \$ 1,117,637 from last year's total of \$ 1,159,055. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$ 1,189,425 from the prior year to \$ 2,044,585. The increase was due primarily to general obligation bond proceeds received for the East Cemetery Road Improvement not being entirely disbursed in fiscal 2014.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for projects within the City's urban renewal districts. At the end of the fiscal year, the cash balance was \$ 11,165, a decrease of \$ 32,324 from the previous year. Receipts in the fund are being used to retire debt acquired from extending infrastructure and improving land in the urban renewal districts. Receipts were \$ 47,940 less than budgeted.
- The Debt Service Fund balance retired \$ 1,350,000 of outstanding debt and paid \$ 247,450 of interest and service fees during fiscal 2014. The Debt Service Fund received \$ 73,653 from the General Fund, \$ 766,101 from the Special Revenue, Urban Renewal Tax Increment Fund, \$ 10,594 from the Enterprise, Water Fund, \$ 194,550 from the Enterprise, Sewer Fund, \$ 25,591 from the Special Revenue, Local Option Sales Tax Fund and \$ 505,808 in general obligation bond proceeds to cover debt service payments.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$ 46,483 to \$ 168,505; as the Water Fund was not responsible for any capital outlay in fiscal 2014.

- The Enterprise, Sewer Fund cash balance decreased \$ 43,991 to \$ 189,933 as debt service requirements exceeded net operating receipts.

## BUDGETARY HIGHLIGHTS

Over the course of the year the City amended its budget two times. The first amendment was approved on September 10, 2013 and resulted in an increase in operating disbursements related to issuing general obligation debt for early debt retirement and projected costs of the East Cemetery Road Improvement project. The second amendment was approved on April 8, 2014 to provide for additional disbursement in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$ 382,408 less than budgeted. This was primarily due to the City not receiving as much in state grants as anticipated.

Actual disbursements for the public works, culture and recreation, and business type activities functions were \$ 1,516,744, \$ 870,048, and \$ 122,567, respectively, less than the second amended budget. This was primarily due to timing differences for the East Cemetery Road Improvement project.

## DEBT ADMINISTRATION

At June 30, 2014, the City had \$ 9,390,739 of long-term debt outstanding, compared to \$ 6,932,745 last year, as shown in the following.

<u>Outstanding Debt at Year-End</u> <u>(Expressed in Thousands)</u>		
	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
General obligation notes	\$ 790	1,430
General obligation bonds	6,558	3,328
Revenue bonds	2,015	2,140
Lease/purchase agreement	28	35
Total	<u>\$ 9,391</u>	<u>6,933</u>

The City defeased \$ 495,000 of general obligation bonds in September, 2013, however the City debt increased approximately \$ 2,458,000 during fiscal 2014.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 7,375,739 is less than its constitutional debt limit of approximately \$ 8.9 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Fairfax's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for various City activities. One of these factors is the economy. The City has experienced over a 138% increase in population from 2000 to 2010. Taxable valuations increased 38.5% between January 1, 2012 and January 1, 2013.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are \$ 5.374 million, a decrease of 23.9% from the final 2014 budget. Property taxes are budgeted to increase \$ 143,144. The tax levy rate remains unchanged. Disbursements are budgeted to decrease approximately \$ 2.623 million.

If these estimates are realized, the City's budgeted cash balance is expected to decrease \$ 229,649 by the close of 2015.

## **CONTACTING THE CITY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Cynthia Stimson, City Clerk/Treasurer; 525 Vanderbilt Street; Fairfax, Iowa 52228-0337.

## BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF FAIRFAX  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year Ended June 30, 2014

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 478,843	109,172	25,121	-	(344,550)	-	(344,550)
Public works	1,925,806	-	211,989	-	(1,713,817)	-	(1,713,817)
Culture and recreation	767,059	34,150	14,355	87,183	(631,371)	-	(631,371)
Community and economic development	5,499	-	-	-	(5,499)	-	(5,499)
General government	270,829	54,177	-	-	(216,652)	-	(216,652)
Debt service	1,597,450	-	-	-	(1,597,450)	-	(1,597,450)
Total governmental activities	5,045,486	197,499	251,465	87,183	(4,509,339)	-	(4,509,339)
Business type activities:							
Water	173,641	229,368	-	-	-	55,727	55,727
Sewer	233,530	384,089	-	-	-	150,559	150,559
Garbage	114,240	117,717	-	-	-	3,477	3,477
Farm operations	13,292	13,417	-	-	-	125	125
Total business type activities	534,703	744,591	-	-	-	209,888	209,888
Total	\$ 5,580,189	942,090	251,465	87,183	(4,509,339)	209,888	(4,299,451)
General Receipts and Transfers:							
Property and other city tax					589,367	-	589,367
Tax increment financing					706,060	-	706,060
Local option sales tax					253,948	-	253,948
Unrestricted interest on investments					10,956	19	10,975
Bond proceeds					3,836,154	-	3,836,154
Miscellaneous					12,106	4,712	16,818
Sale of capital assets					10,100	-	10,100
Transfers					208,285	(208,285)	-
Total general receipts and transfers					5,626,976	(203,554)	5,423,422
Change in cash basis net position					1,117,637	6,334	1,123,971
Cash basis net position beginning of year					1,159,055	400,310	1,559,365
Cash basis net position end of year	\$ 2,276,692				406,644		2,683,336

(continued)

CITY OF FAIRFAX  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year Ended June 30, 2014

	Governmental Activities	Business Type Activities	Total
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Meter deposits	\$ -	14,640	14,640
Expendable:			
Debt service	-	48,288	48,288
Streets	36,412	-	36,412
Fire department	57,513	-	57,513
Fireworks	14,980	-	14,980
Library	220,228	-	220,228
Parks	14,036	-	14,036
Trail project	342,051	-	342,051
East Cemetery Road	1,154,548	-	1,154,548
Urban renewal purposes	11,165	-	11,165
Water main extension	-	29,661	29,661
Other purposes	184,530	-	184,530
Unrestricted	241,229	314,055	555,284
Total cash basis net position	\$ 2,276,692	406,644	2,683,336

See notes to financial statements.

## Exhibit B

CITY OF FAIRFAX  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2014

	General	Special Revenue Urban Renewal Tax Increment	Debt Service	Nonmajor	Total
Receipts:					
Property tax	\$ 580,825	-	-	-	580,825
Tax increment financing	-	706,060	-	-	706,060
Other city tax	8,542	-	-	253,948	262,490
Licenses and permits	43,567	-	-	-	43,567
Use of money and property	10,042	871	-	43	10,956
Intergovernmental	231,082	-	-	211,989	443,071
Charges for service	3,832	-	-	-	3,832
Miscellaneous	57,783	-	21,154	-	78,937
Total receipts	935,673	706,931	21,154	465,980	2,129,738
Disbursements:					
Operating:					
Public safety	478,843	-	-	-	478,843
Public works	1,514,001	-	-	411,805	1,925,806
Culture and recreation	767,059	-	-	-	767,059
Community and economic development	5,499	-	-	-	5,499
General government	233,017	-	-	37,812	270,829
Debt service	-	-	1,597,450	-	1,597,450
Total disbursements	2,998,419	-	1,597,450	449,617	5,045,486
Excess (deficiency) of receipts over (under) disbursements	(2,062,746)	706,931	(1,576,296)	16,363	(2,915,748)
Other financing sources (uses):					
Bond proceeds	-	-	3,815,000	-	3,815,000
Sale of capital assets	10,100	-	-	-	10,100
Operating transfers in	3,356,457	26,846	1,070,488	-	4,453,791
Operating transfers out	(114,386)	(766,101)	(3,309,192)	(55,827)	(4,245,506)
Total other financing sources (uses)	3,252,171	(739,255)	1,576,296	(55,827)	4,033,385
Change in cash balances	1,189,425	(32,324)	-	(39,464)	1,117,637
Cash balances beginning of year	855,160	43,489	-	260,406	1,159,055
Cash balances end of year	\$ 2,044,585	11,165	-	220,942	2,276,692

(continued)

Exhibit B  
(continued)

CITY OF FAIRFAX  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2014

	General	Special Revenue Urban Renewal Tax Increment	Debt Service	Nonmajor	Total
Cash Basis Fund Balances:					
Restricted for:					
Streets	\$ -	-	-	36,412	36,412
Fire department	57,513	-	-	-	57,513
Fireworks	14,980	-	-	-	14,980
Library	220,228	-	-	-	220,228
Parks	14,036	-	-	-	14,036
Trail project	342,051	-	-	-	342,051
East Cemetery Road	1,154,548	-	-	-	1,154,548
Urban renewal puposes	-	11,165	-	-	11,165
Other purposes	-	-	-	184,530	184,530
Unassigned	241,229	-	-	-	241,229
Total cash basis fund balances	\$ 2,044,585	11,165	-	220,942	2,276,692

See notes to financial statements.

CITY OF FAIRFAX  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
As of and for the Year Ended June 30, 2014

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 228,843	383,564	131,134	743,541
Operating disbursements:				
Business type activities	173,641	233,530	127,532	534,703
Excess of operating receipts over Operating disbursements	55,202	150,034	3,602	208,838
Non-operating receipts (disbursements):				
Licenses and permits	525	525	0	1,050
Interest on investments	0	0	19	19
Miscellaneous receipts	8,190	0	3,002	11,192
Miscellaneous disbursements	( 6,480)	0	0	(6,480)
Net non-operating receipts (disbursements)	2,235	525	3,021	5,781
Excess of receipts over disbursements	57,437	150,559	6,623	214,619
Operating transfers:				
Operating transfers in	0	0	13,887	13,887
Operating transfers out	(10,594)	(194,550)	(17,028)	(222,172)
Net operating transfers	(10,594)	(194,550)	(3,141)	(208,285)
Change in cash balances	46,843	(43,991)	3,482	6,334
Cash balances beginning of year	121,662	233,924	44,724	400,310
Cash balances end of year	\$ 168,505	189,933	48,206	406,644
Cash Basis Fund Balances				
Restricted:				
Nonexpendable:				
Meter deposits	\$ 14,640	0	0	14,640
Expendable:				
Debt service	0	48,288	0	48,288
Water main extension	29,661	0	0	29,661
Unrestricted:	124,204	141,645	48,206	314,055
Total cash basis fund balances	\$ 168,505	189,933	48,206	406,644

See notes to financial statements.

CITY OF FAIRFAX  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**1) Summary of Significant Accounting Policies**

The City of Fairfax is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1936 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Fairfax has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County Assessor's Conference Board, Linn County Emergency Management Commission, Linn County Joint E911 Service Board, and the Corridor Metropolitan Planning Organization.

**B. Basis of Presentation**

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on the non-fiduciary activities of the City.

For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories/components:

*Non-expendable restricted net position* is subject to externally imposed stipulations which require them to be maintained permanently by the City, including customer utility deposits.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. All remaining proprietary funds are aggregated and reported as non-major proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the

general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City wastewater treatment and sanitary sewer system.

C. Management Focus and Basis of Accounting

The City of Fairfax maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a

proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Unassigned* - All amounts not included in other spendable classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

### 2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

### 3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds of the City are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 750,000	185,064	129,000	60,450	879,000	245,514
2016	765,000	159,395	133,000	56,580	898,000	215,975
2017	670,000	144,830	137,000	52,590	807,000	197,420
2018	655,000	131,218	141,000	48,480	796,000	179,698
2019	666,000	116,803	145,000	44,250	811,000	161,053
2020-2024	3,261,000	338,158	794,000	153,210	4,055,000	491,368
2025-2029	581,000	28,625	536,000	32,490	1,117,000	61,115
Total	\$ 7,348,000	1,104,093	2,015,000	448,050	9,363,000	1,552,143

#### General Obligation Bonds

The agreement with the Iowa Finance Authority requires the City to annually pay a .25% servicing fee on the outstanding balance of the water improvement general obligation bonds issued on February 10, 2010, which had an outstanding balance of \$ 93,000 at June 30, 2014.

#### Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay the \$ 2,400,000 of sewer revenue bonds issued on December 1, 2008 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance (\$ 2,015,000 at June 30, 2014). The bonds are payable solely from sewer customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 189,200 and \$ 150,034, respectively.

#### 4) Other Long-Term Debt

Annual debt service requirements to maturity for other long-term debt is as follows:

<u>Year Ending June 30,</u>	<u>Lease/purchase agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 7,402	1,567
2016	20,337	1,149
Total	<u>\$ 27,739</u>	<u>2,716</u>

#### 5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$ 34,160, \$ 29,619 and \$ 25,942, respectively, equal to the required contributions for each year.

#### 6) Other Postemployment Benefits (OPEB)

Plan Description - the City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and spouses. There are 7 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City.

The City currently finances the retirement benefit plan on a pay-as-you-go basis. The monthly premiums for the City and plan members are based on the age of the

participant. For the year ended June 30, 2014, the City contributed \$ 54,802.

## 7) **Compensated Absences**

The City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death.

These accumulations are not recognized as disbursements until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2014, primarily relating to the General Fund is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 3,800
Compensatory hours	<u>8,100</u>
Total	<u>\$ 11,900</u>

The liability has been computed based on rates of pay in effect at June 30, 2014.

## 8) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 are as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 30,237
	Debt Service	3,309,192
	Enterprise:	
	Farm Operations	<u>17,028</u>
		<u>3,356,457</u>
Special Revenue:		
Urban Renewal Tax		
Increment	General	<u>26,846</u>
Debt Service	General	73,653
	Special Revenue:	
	Urban Renewal Tax Increment	766,101
	Local Option Sales Tax	25,591
	Enterprise:	
	Water	10,593
	Sewer	<u>194,550</u>
		<u>1,070,488</u>

Enterprise:		
Farm Operations	General	<u>13,887</u>
Total		<u>\$ 4,467,678</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## 9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance in either of the past three years.

## 10) Debt Defeasance

On September 10, 2013, the City issued \$ 510,000 in General Obligation Corporate Purpose and Refunding Bonds with interest at 1.0%. The bonds were used for the purpose of refunding the City's October 1, 2005 General Obligation Sanitary Sewer Improvement Notes and the April 1, 2008 General Obligation Refunding Notes with interest ranging from 3.40% to 3.70% totaling \$ 495,000.

The advance refunding met the requirements of a debt defeasance. The City in effect reduced the aggregate debt service payments by approximately \$ 10,100 over the next two years and obtained economic gain (difference between the present values of the old and new debt service payments) of approximately \$ 9,900.

## 11) Commitments

Construction Contracts - The City has entered into a construction contract totaling \$ 804,712 for construction of a recreational trail. As of June 30, 2014, \$ 167,741 had been disbursed under this contract. The balance of \$ 636,971 will be disbursed as work under this contract is completed.

## **12) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## OTHER INFORMATION

CITY OF FAIRFAX  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES-  
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION  
Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 580,825	-	580,825	570,218	570,218	10,607
Tax increment financing	706,060	-	706,060	754,000	754,000	(47,940)
Other city tax	262,490	-	262,490	263,730	263,730	(1,240)
Licenses and permits	43,567	1,050	44,617	25,000	25,000	19,617
Use of money and property	10,956	19	10,975	21,550	21,550	(10,575)
Intergovernmental	443,071	-	443,071	844,930	844,930	(401,859)
Charges for service	3,832	743,541	747,373	729,520	729,520	17,853
Miscellaneous	78,937	11,192	90,129	47,000	59,000	31,129
Total receipts	2,129,738	755,802	2,885,540	3,255,948	3,267,948	(382,408)
Disbursements:						
Public safety	478,843	-	478,843	388,847	511,553	32,710
Public works	1,925,806	-	1,925,806	1,289,050	3,442,550	1,516,744
Culture and recreation	767,059	-	767,059	1,293,607	1,637,107	870,048
Community and economic development	5,499	-	5,499	2,500	5,500	1
General government	270,829	-	270,829	314,500	323,540	52,711
Debt service	1,597,450	-	1,597,450	1,042,814	1,642,814	45,364
Business type activities	-	541,183	541,183	1,331,250	663,750	122,567
Total disbursements	5,045,486	541,183	5,586,669	5,662,568	8,226,814	2,640,145
Excess (deficiency) of receipts over (under) disbursements	(2,915,748)	214,619	(2,701,129)	(2,406,620)	(4,958,866)	2,257,737
Other financing sources, net	4,033,385	(208,285)	3,825,100	1,875,000	3,790,475	34,625
Excess (deficiency) of receipts and other financing sources over (under) disbursements	1,117,637	6,334	1,123,971	(531,620)	(1,168,391)	2,292,362
and other financing uses	1,159,055	400,310	1,559,365	1,620,555	1,559,340	25
Balances beginning of year						
Balances end of year	\$ 2,276,692	406,644	2,683,336	1,088,935	390,949	2,292,387

See accompanying independent auditor's report and notes to other information-  
budgetary reporting.

## CITY OF FAIRFAX

### Notes to Other Information - Budgetary Reporting

Year Ended June 30, 2014

This budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$ 2,564,246. The budget amendments are reflected in the final budgeted amounts.

## SUPPLEMENTARY INFORMATION

CITY OF FAIRFAX  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2014

	<u>Special Revenue</u>		
	Road	Local	
	Use	Option	
	Tax	Sales	Total
		Tax	
Receipts:			
Other city tax	\$ 0	253,948	253,948
Use of money and property	0	43	43
Intergovernmental	211,989	0	211,989
Total receipts	211,989	253,991	465,980
Disbursements:			
Public works	211,616	200,189	411,805
General government	0	37,812	37,812
Total disbursements	211,616	238,001	449,617
Excess of receipts over disbursements	373	15,990	16,363
Other financing uses:			
Operating transfers out	0	(55,827)	(55,827)
Change in cash balances	373	(39,837)	(39,464)
Cash balances beginning of year	36,039	224,367	260,406
Cash balances end of year	\$ 36,412	184,530	220,942
Cash Basis Fund Balances:			
Restricted for:			
Streets	\$ 36,412	0	36,412
Other purposes	0	184,530	184,530
Total Cash Basis Fund Balances	\$ 36,412	184,530	220,942

See accompanying independent auditor's report.

## Schedule 2

CITY OF FAIRFAX  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 NONMAJOR PROPRIETARY FUNDS  
 As of and for the Year Ended June 30, 2014

	Enterprise		
	Farm		
	Garbage	Operations	Total
Operating receipts			
Charges for service	\$ 117,717	13,417	131,134
Operating disbursements			
Business type activities	114,240	13,292	127,532
Excess of operating receipts over operating disbursements	3,477	125	3,602
Non-operating receipts			
Interest on investments	0	19	19
Miscellaneous	0	3,002	3,002
Total non-operating receipts	0	3,021	3,021
Excess of receipts over disbursements	3,477	3,146	6,623
Operating transfers:			
Operating transfers in	0	13,887	13,887
Operating transfers out	0	(17,028)	(17,028)
Net operating transfers	0	(3,141)	(3,141)
Change in cash balances	3,477	5	3,482
Cash balances beginning of year	16,200	28,524	44,724
Cash balances end of year	\$ 19,677	28,529	48,206
Cash Basis Fund Balances			
Unrestricted	\$ 19,677	28,529	48,206

See accompanying independent auditor's report.

## Schedule 3

CITY OF FAIRFAX  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Sanitary water improvement	Oct 1, 2005	3.60-3.70%	\$ 650,000	180,000	-	180,000	-	1,916
Sanitary sewer and refunding	Mar 1, 2008	3.10-3.40	560,000	285,000	-	70,000	215,000	9,270
Refunding	Apr 1, 2008	3.40-3.70	780,000	315,000	-	315,000	-	3,266
Water improvement	Mar 24, 2009	2.75-4.20	790,000	650,000	-	75,000	575,000	24,273
Total				<u>\$ 1,430,000</u>	<u>-</u>	<u>640,000</u>	<u>790,000</u>	<u>38,725</u>
General obligation bonds:								
Water improvement	Feb 10, 2010	3.00%	\$ 118,000	98,000	-	5,000	93,000	2,940
Fire truck and refunding	Sep 10, 2010	1.70-2.00	335,000	140,000	-	70,000	70,000	2,590
Water improvement	May 12, 2011	1.35-3.65	540,000	490,000	-	50,000	440,000	13,510
Water main improvement and Fairfax Athletics and Park Complex	Nov 10, 2011	2.00-3.00	2,260,000	2,085,000	-	175,000	1,910,000	47,890
Fire truck and refunding	Jun 26, 2012	0.60-1.70	590,000	515,000	-	85,000	430,000	5,702
Corporate purpose and refunding	Sep 10, 2013	1.00-3.00	2,485,000	-	2,485,000	200,000	2,285,000	35,918
Corporate purpose	Apr 8, 2014	2.00-2.75	1,330,000	-	1,330,000	-	1,330,000	-
Total				<u>\$ 3,328,000</u>	<u>3,815,000</u>	<u>585,000</u>	<u>6,558,000</u>	<u>108,550</u>
Revenue Bonds:								
Sewer	Dec 1, 2008	3.00%	\$ 2,400,000	2,140,000	-	125,000	2,015,000	64,200
Lease/purchase agreement:								
Caterpillar compact truck loader	Apr 12, 2011	5.65%	\$ 47,653	34,745	-	7,006	27,739	1,963

See accompanying independent auditor's report.

## Schedule 4

CITY OF FAIRFAX  
BOND AND NOTE MATURITIES  
June 30, 2014

Year Ending June 30,	General Obligation Notes					General Obligation Bonds				
	Sanitary Sewer and Refunding		Water Improvement			Water Improvement		Fire Truck and Refunding		Total
	Issued Mar 1, 2008		Issued Mar 24, 2009			Issued Feb 10, 2010		Issued Sep 9, 2010		
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	Interest Rates	Amount	
2015	3.10%	\$ 70,000	3.50%	\$ 75,000	145,000	3.00%	\$ 5,000	2.00%	\$ 70,000	-
2016	3.40	75,000	3.50	75,000	150,000	3.00	5,000	-	-	-
2017	3.40	35,000	3.50	80,000	115,000	3.00	5,000	-	-	-
2018	3.40	35,000	4.00	80,000	115,000	3.00	5,000	-	-	-
2019	-	-	4.00	85,000	85,000	3.00	6,000	-	-	-
2020	-	-	4.20	90,000	90,000	3.00	6,000	-	-	-
2021	-	-	4.20	90,000	90,000	3.00	6,000	-	-	-
2022	-	-	-	-	-	3.00	6,000	-	-	-
2023	-	-	-	-	-	3.00	7,000	-	-	-
2024	-	-	-	-	-	3.00	7,000	-	-	-
2025	-	-	-	-	-	3.00	7,000	-	-	-
2026	-	-	-	-	-	3.00	7,000	-	-	-
2027	-	-	-	-	-	3.00	7,000	-	-	-
2028	-	-	-	-	-	3.00	7,000	-	-	-
2029	-	-	-	-	-	3.00	8,000	-	-	-
Total		<u>\$ 215,000</u>		<u>\$ 575,000</u>	<u>790,000</u>		<u>\$ 93,000</u>		<u>\$ 70,000</u>	

Year Ending June 30,	General Obligation Bonds					General Obligation Bonds				
	Water Improvement		Water Main Improvement and Park		Total	Fire Truck and Refunding		Corporate Purpose and Refunding		Total
	Issued May 12, 2011		Issued Nov 10, 2011			Issued June 26, 2012		Issued Sept 10, 2013		
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	Interest Rates	Amount	
2015	2.05%	\$ 50,000	2.00%	\$ 175,000	0.85%	\$ 85,000	1.00%	\$ 220,000	-	605,000
2016	2.05	50,000	2.00	175,000	0.85	90,000	1.00	195,000	2.00	615,000
2017	2.65	50,000	2.00	180,000	1.25	85,000	1.10	135,000	2.00	555,000
2018	2.65	55,000	2.00	185,000	1.25	55,000	1.45	140,000	2.00	540,000
2019	3.15	55,000	2.00	185,000	1.70	60,000	1.70	170,000	2.00	581,000
2020	3.15	60,000	2.20	190,000	1.70	55,000	2.00	175,000	2.00	591,000
2021	3.65	60,000	2.40	195,000	-	-	2.25	240,000	2.00	606,000
2022	3.65	60,000	2.60	200,000	-	-	2.45	275,000	2.05	651,000
2023	-	-	2.80	210,000	-	-	2.75	280,000	2.25	611,000
2024	-	-	3.00	215,000	-	-	3.00	285,000	2.40	622,000
2025	-	-	-	-	-	-	3.00	170,000	2.50	297,000
2026	-	-	-	-	-	-	-	-	2.60	132,000
2027	-	-	-	-	-	-	-	-	2.75	137,000
2028	-	-	-	-	-	-	-	-	-	7,000
2029	-	-	-	-	-	-	-	-	-	8,000
Total		<u>\$ 440,000</u>		<u>\$ 1,910,000</u>	<u>\$ 430,000</u>		<u>\$ 2,285,000</u>		<u>\$ 1,330,000</u>	<u>6,558,000</u>

(continued)

CITY OF FAIRFAX  
BOND AND NOTE MATURITIES  
June 30, 2014

Year June 30,	Revenue Bonds	
	Issued Feb 2, 2008	
	Rates	Amount
2015	3.00%	\$ 129,000
2016	3.00	133,000
2017	3.00	137,000
2018	3.00	141,000
2019	3.00	145,000
2020	3.00	150,000
2021	3.00	154,000
2022	3.00	159,000
2023	3.00	163,000
2024	3.00	168,000
2025	3.00	173,000
2026	3.00	179,000
2027	3.00	184,000
Total		<u>\$ 2,015,000</u>

See accompanying independent auditor's report.

CITY OF FAIRFAX  
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 For the Last Five Years

	2014	2013	2012	2011	2010
Receipts:					
Property tax	\$ 580,825	520,387	540,087	452,537	425,909
Tax increment financing	706,060	717,125	450,269	589,491	585,576
Other city tax	262,490	247,776	261,920	213,898	210,814
Licenses and permits	43,567	26,452	30,703	35,626	33,250
Use of money and property	10,956	13,876	29,960	24,692	33,586
Intergovernmental	443,071	347,783	334,696	288,938	288,017
Charges for service	3,832	5,105	10,240	4,425	—
Miscellaneous	78,937	142,454	65,599	46,696	86,731
Total	<u>\$ 2,129,738</u>	<u>2,020,958</u>	<u>1,723,474</u>	<u>1,656,303</u>	<u>1,663,883</u>
Disbursements:					
Operating:					
Public safety	\$ 478,843	400,435	262,658	327,357	155,302
Public works	1,925,806	417,548	265,955	462,784	336,818
Culture and recreation	767,059	1,602,417	1,123,820	253,544	219,882
Community and economic development	5,499	5,326	11,992	—	5,064
General government	270,829	198,952	240,765	189,052	206,012
Debt service	1,597,450	1,468,724	805,257	917,470	661,240
Total	<u>\$ 5,045,486</u>	<u>4,093,402</u>	<u>2,710,447</u>	<u>2,150,207</u>	<u>1,584,318</u>

See accompanying independent auditor's report.

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfax, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 4, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Fairfax's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfax's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfax's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City of Fairfax's Responses to Findings

The City of Fairfax's responses to findings in our audit are described in the accompanying Schedule of Findings. The City of Fairfax's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Fairfax during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

January 5, 2015



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

CITY OF FAIRFAX  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2014

Part I : Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Monthly Trial Balance - The June 2014 Trial Balance generated by the City's software does not properly report the cash balance per the City's year end bank reconciliation. The City's actual cash balance was \$ 5,308 less than the reported balance of \$ 2,683,336.

Recommendation - The City should establish procedures to ensure computer generated reports are accurate. The City should work with its software provider to determine the cause for the report errors and take immediate action to correct the reports.

Response - We have contacted the software provider, the cause for the error was found and the balance has been corrected.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

CITY OF FAIRFAX  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - Disbursements during the year did not exceed the amounts budgeted.
- II-B-14 Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-C-14 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-14 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-14 Revenue Bonds - Debt service requirements for the sewer revenue bonds for the fiscal year ended June 30, 2014 were \$ 189,200, while the Enterprise, Sewer Fund net operating receipts were only \$ 150,034. It appears the debt service requirements exceeding net operating receipts in the Enterprise, Sewer Fund violates the revenue bond covenants.

Recommendation - The City should investigate ways to increase net operating receipts in the sewer enterprise activity.

Response - The City has increased sewer rates.

Conclusion - Response accepted.